

## Measures for Effective and Cost Efficient Infrastructure Development

In developing large-scale infrastructure, it is important to proceed by taking into account the following issues. These constitute measures for effective and cost efficient large-scale infrastructure development.

### Aid Coordination and Harmonization of Aid Procedures

In order to provide effective and cost efficient assistance in large-scale infrastructure development projects, it is important to coordinate the content of assistance among donors and harmonize aid procedures. Japan has been active in addressing these issues.

### Collaboration with Private Sector Financing

In supporting large-scale economic infrastructure development projects by means of ODA, we should keep in mind the question of division of labor and collaboration with financing by the private sector. Contrary to a previously advocated argument, it is obvious that large-scale economic infrastructure development could not be financed solely by the private sector. ODA loan financing may be an appropriate option for large-scale infrastructure development, consideration on the situation of country sector and project. Currently, we should note that there are extensive needs for concessional financing in Vietnam. Combining concessional ODA lending and private sector financing is also beneficial.

### Relationship with the development plan of the Vietnamese Government

For large-scale infrastructure development, the Japanese government takes into account the master plan prepared by the Vietnamese government in each sector and after a policy dialogue, the list of projects which might be financed by ODA loans over the next few years (the long list) is prepared and made available to the public. Selection of specific projects in the list is conducted from the view point of high urgency and high priority (It should be noted that listing in "the long list" does not necessarily mean the decision for financing by the ODA loan). Therefore, these projects are undertaken in line with the country's overall development plan and after taking into account not only each sector but also the overall development.

### Relationship with Institutions and Policies

Economic infrastructure such as power plants and transmission networks is a physical facility. However, in addition to the physical facility, the system and policy is essential for the end-users to receive its service. To what extent economic infrastructure provides benefits and serves as a basis for economic activities cannot be considered without such an institutional and policy aspect.

In large-scale infrastructure projects, JBIC has been supporting such institutional and policy aspects in collaboration with JICA that sends experts to provide technical assistance, and it will increase assistance in this area.

### Effective Project Implementation and Maintenance

In large-scale infrastructure development projects, effective implementation and progress of the project is an important factor for the effective use of committed funds. JBIC has thus conducted a joint portfolio review with the World Bank and ADB as well as with the Vietnamese government to ensure effective implementation.

For completed projects to have initially planned effect, a robust operation and maintenance regime must be in place. Japan will get involved in the stage of maintenance to ensure the sustainable impact of projects. The executing agencies have to finance recurrent costs for O&M to sustain the development effect of projects. Since the public financial system in Vietnam separates capital expenditure for infrastructure development and current expenditure for funding recurrent costs, planning must take into consideration both elements.

### Environmental and Social Considerations

Large-scale economic infrastructure projects have to be undertaken, in paying due considerations for environmental and social aspects. Environmental and social considerations require environmental impact assessment, public disclosure of relevant information, and adequate explanation to residents in neighboring community residents. ODA lending operations of JBIC are conducted under the most advanced guidelines for environmental and social considerations.

## Development of the Greater Mekong Subregion(GMS) and Infrastructure Development

Vietnam is located in the eastern part of the Indochina Peninsula and is expected to play a significant role in the development of GMS as a gateway to the East-West economic corridor. To date, ODA loans provided by JBIC have helped develop Da Nang port and Hai Van Tunnel and bridges on National Highway No.1. These infrastructure projects will not only be useful for economic growth in Vietnam but also have a broader significance for the development of GMS.

### Da Nang port and Hai Van Tunnel



### Aid Coordination in Infrastructure Development

National Highway No. 1 is a main road running from north to south in Vietnam, linking northern, central and southern regions. For this most important road, the World Bank and ADB financed road rehabilitation, while JBIC provided ODA loans for construction of bridges. Aid coordination may take place in various forms. In the case of the National Highway No. 1, it was carried through cooperation between the related donors and line ministries in each specific project.

JBIC, the World Bank and the ADB, which are all involved in large-scale infrastructure projects in Vietnam, have been cooperating extensively in other projects as well.

### Harmonization of Aid Procedures among JBIC, the World Bank and ADB

JBIC, the World Bank and ADB, which are major donors providing concessional loans in Vietnam, are harmonizing respective aid procedures. Specific work is underway in the area of procurement, financial management, environmental considerations, resettlement, and portfolio management.

### Combining ODA and Private Financing Phu My Thermal Power Plant Complex

In order to meet a sharp increase in power demand in Southern Vietnam, a plan to construct power plants and power stations in the Phu My area is underway. Out of 5 power plants being planned in this district, JBIC provided an ODA loan for the construction of the Phu My 1 Power Plant. In this project, the ODA loan-financed common facilities for water treatment and fire prevention which turned out induce financing from the private sector. In fact, the Phu My 2 power plant and later projects have been financed with private sector participation.



Red River Bridge in Ha Noi financed by JBIC (Image Photo)